



## **Audit and Risk Committee**

### **TERMS OF REFERENCE**

**14 February 2024**

## **1. COMMITTEE NAME**

The name of the Council Committee shall be the 'Audit and Risk Committee' (in these Terms of Reference referred to as "the Committee").

## **2. ESTABLISHMENT**

2.1. The District Council of Robe Audit and Risk Committee is established under Section 41 of the *Local Government Act 1999 (the Act)* and the *Local Government (Financial Management)/Regulations 2011*, to meet the purpose of Section 126 of the Act.

2.2. The Committee was established by resolution of Council meeting held on 14 December 2022 (Res 115/2023)

2.3. The Revised Terms of Reference for the Audit and Risk Committee (version 4) were adopted at the 14 February 2024 Ordinary Council Meeting (Res.238/2024).

## **3. PURPOSE & FUNCTIONS OF THE AUDIT AND RISK COMMITTEE**

3.1. The District Council of Robe Audit and Risk Committee is charged with the responsibilities of undertaking functions detailed in section 126 of the Act, namely:

- a) reviewing annual financial statements to ensure that they present fairly the state of affairs of the Council;
- b) proposing, and providing information relevant to, a review of the Council's Strategic Management Plans or Annual Business Plan;
- c) monitoring the responsiveness of the Council to recommendations for improvement based on previous audits and risk assessments, including those raised by Council's Auditor;
- d) proposing, and reviewing, the exercise of powers under section 130A of the Act;
- e) liaising with Council's Auditor in accordance with any requirements prescribed by the regulations;
- f) reviewing the adequacy of the accounting, internal control, reporting and other financial management systems and practices on a regular basis;
- g) providing oversight of planning and scoping of the internal audit work plan and reviewing and commenting on reports provided by the person primarily responsible for the internal audit function at least quarterly;
- h) reviewing and evaluating the effectiveness of policies, systems and procedures established and maintained for the identification, assessment, monitoring, management, and review of strategic, financial, and operational risks on a regular basis;
- i) reviewing any report obtained by the Council under section 48(1); and
- j) performing any other function determined by the Council or prescribed by the regulations.

## **4. ROLE OF THE COMMITTEE**

### **4.1 Financial Reporting**

4.1.1 The Committee shall monitor the integrity of the financial statements of the Council, reviewing significant financial reporting issues and judgements which they contain and to ensure that they present a fair and accurate record of the affairs of the Council;

#### 4.1.2 The Committee shall review:

- the consistency of, and/or any changes to, accounting policies;
- the methods used to account for significant or unusual transactions where different approaches are possible;
- whether the Council has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
- the clarity of disclosure in the Council's financial reports and the context in which statements are made;
- all material information presented with the financial statements, such as the operating and financial review (insofar as it relates to audit and risk);
- monitor the budgeting process and the process of review of actuals versus budget; and,
- monitor that budgets are aligned to the strategic management plans

### **4.2 Internal Controls and Risk Management Systems**

The Committee shall:

- review the effectiveness of the Council's internal controls and risk management systems;
- receive reports on the activities of Strategic Risk and Internal Audit Work Program
- consider and make recommendations on the internal controls and audit program;
- review Council's risk register, risk strategy and mitigation measures annually, or as required;
- review any risk or governance audits undertaken;

### **4.3 Public Interest Disclosures**

The Committee shall review Council's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting, fraud and corruption and other matters.

The Committee shall ensure these arrangements allow independent investigation of such matters and appropriate follow-up action.

### **4.4 Strategic Management Plans**

The Committee shall review and provide information and recommendations in relation to Council's strategic management plans including the Community Plan, Long Term Financial Plan, Annual Business Plan and Budget and Four-Year Business Plan.

The Committee shall review and make recommendations on the sustainability of Council's operations, including debt levels and asset infrastructure issues.

#### **4.5 Internal Audit**

The Committee shall:

- (a) monitor and review the effectiveness of the Council's internal audit function and processes in the context of the Council's overall risk management systems;
- (b) consider and make recommendations on the program of any approved internal audit function and the adequacy of its resources and access to information to enable it to perform its function effectively and in accordance with the relevant professional standards.
- (c) review all reports on the Council's operations provided by Council's external auditors.
- (d) review and monitor management's responsiveness to the findings and recommendations of the external auditor, and
- (e) where appropriate, the Committee may meet the external auditor without management being present, to discuss any issues arising from any audits performed

#### **4.6 External Audit**

The Council is responsible for the selection and appointment of the external auditor in accordance with the Act.

The Committee shall:

- 1) consider and make recommendations to the Council, in relation to the appointment, re-appointment and removal of the Council's external auditor.
- 2) oversee Council's relationship with the external auditor including, but not limited to:
  - a) recommend the approval of the external auditor's remuneration, and recommending whether the level of fees is appropriate to enable an adequate audit to be conducted
  - b) recommend the approval of the external auditor's term of engagement, including any engagement letter issued at the commencement of each audit and the scope of the audit;
  - c) assess the external auditor's independence and objectivity taking into account relevant professional and regulatory requirements and the extent of Council's relationship with the auditor;
  - d) satisfy itself that there are no relationships such as family, employment, investment, financial or business between the external auditor and the Council (other than in the ordinary course

of business) and

- e) monitor the external auditor's compliance with legislative requirements on the rotation of audit partners
- 3) meet as needed with the external auditor. The Committee shall meet with the external auditor at least once a year to discuss the external auditors report and any issues arising from the audit;
- 4) review and make recommendations on the annual audit plan and in particular its consistency with the scope of the external audit engagement;
- 5) review the findings of the audit with the external auditor. This shall include, but not be limited to, the following:
  - a) a discussion of any major issues which arose during the external audit;
  - b) any accounting and audit judgments; and
  - c) level of errors identified during the external audit.
  - d) The Committee shall also review the effectiveness of the external audit.
- 6) review any representation letter(s) requested by the external auditor before they are signed by management;
- 7) review all audit reports and management's response to the external auditors findings and recommendations
- 8) oversee action to follow up on matters raised by the external auditors

#### **4.7 Major Project Reporting**

Review the financial status of major projects on a regular basis and recommend corrective action, if any, to Council.

#### **4.8 Other matters**

The Committee shall:

- a) give due consideration to laws and regulations of the Local Government Act 1999
- b) conduct a review of its own performance, to ensure it is operating at maximum effectiveness and recommend changes to Council that are considered as necessary.
- c) The review shall be conducted at least once per annum, following the completion of the annual audit and provide a report of the outcome of the review to Council.
- d) The review is to include consideration of the Terms of Reference and recommendations of any changes considered necessary
- e) The Committee may review and consider reports or recommendations from external agencies where an investigation or

evaluation relates to the role of the Committee.

- f) Be provided with appropriate and timely training, both in the form of an induction program for new members and on an ongoing basis for all members.
- g) Members must attend refresher Audit and Risk Committee training once per annum. If Members have attended training through other Council's, or other means, evidence is to be provided.

## 5. MEMBERSHIP

- 5.1. The Audit and Risk Committee shall comprise of five (5) Members:
  - a) Two (2) Member of Council; and
  - b) Three (3) Independent Members
- 5.2. The Presiding Member shall be appointed by the Council
- 5.3. The Deputy Presiding Member shall be appointed by the Committee
- 5.4. Should the Presiding Member and the Deputy Presiding Member be absent from a meeting, the Committee members present may appoint a person to act as Chairperson for that meeting
- 5.5. If a Committee Member is absent for three or more consecutive committee meetings without seeking leave of the Committee prior, a motion will be sought from the Council for that Member to be removed from office on the grounds that they have been absent without notice
- 5.6. Expressions of interest shall be sought for the appointment of Independent members using the following criteria:

The Independent member of the Committee shall:

- Be an individual (not corporation or an organisation)
  - Have recent and relevant financial, governance, business, accounting, risk management or internal audit skills and experience
  - Have no conflict of interest (as per Division 3 of the Act);
  - Preferably have experience in formal meeting procedures and
  - Have an understanding of the Local Government Act and Regulations
- 5.7. All Committee Members will hold office until the next Local Government general election or as amended by Council.
  - 5.8. The Independent Members are eligible to re-apply as a Committee Member.
  - 5.9. Council's external auditors may be invited to attend meetings of the Committee
  - 5.10. A Committee Member may resign from the Committee; however such resignation shall not take effect until the Presiding Member and Council have received written notice of the resignation.
  - 5.11. The Chief Executive Officer, Management and other employees as directed by the CEO may attend any meeting as observers or as responsible officers in preparing reports and papers for the Committee.
  - 5.12. Council Members who are not members of the Audit and Risk Committee are non-voting observers only and may not partake in the meeting proceedings.

## **6. QUORUM**

- 6.1. The quorum required for the transaction of business at a meeting of the Audit and Risk Committee shall be 50% plus one member. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all requirements of the Committee

## **7. MEETINGS OF THE COMMITTEE**

- 7.1. The Committee shall meet a minimum of at least once per quarter as determined by the Committee or as requested by the Council.
- 7.2. Meetings will be conducted at the District Council of Robe Principle Office, 3 Royal Circus Robe SA
- 7.3. The Presiding Member, in consultation with the Chief Executive Officer may cancel a meeting due to lack of business
- 7.4. A Special Meeting of the Committee may be called in accordance with the Act
- 7.5. The Presiding Member shall ensure that the proceedings of the meeting and resolutions, are minuted and that all requirements meet the Local Government (Procedure at Meetings) Regulations 2013

## **8. ATTENDANCE AT MEETINGS BY TELEPHONE OR OTHER ELECTRONIC MEANS**

A Committee Member may participate, and is considered as being present at a meeting if using telephone or other electronic means so long as:

- 8.1. the Committee Member has advised the Chief Executive Officer a minimum of 24 hours prior to the commencement of the meeting
- 8.2. no more than two consecutive meetings may be attended via telephone or other electronic means
- 8.3. all Committee Members must be able to hear each other whilst a Committee Member is participating by telephone or other electronic means;
- 8.4. should the telephone or other electronic connection fail, any attempt(s) to re-connect are made at the discretion of the Presiding Member.
- 8.5. Should a confidential matter be presented, Members using the telephone or other electronic means must ensure they are not able to be overheard and their screen cannot be seen.

## **9. VOTING**

- 9.1. Each Member of the Audit and Risk Committee present at a meeting shall have one vote
- 9.2. Members present at the meeting must vote on all matters that are before the Committee unless subject to the provision of the Act to the contrary
- 9.3. The presiding Member shall have a deliberative vote but does not in the event of an equality of votes, have a casting vote
- 9.4. In the event of a tied vote the matter may be referred to the next meeting of Council for deliberation
- 9.5. Proxy votes are not permitted

- 9.6. If a Committee Member is partaking in the meeting via telephone or other electronic means they must verbalise their vote to enable the Presiding Member to clarify and record the vote
- 9.7. The Presiding Member may partake in the meeting via video conference if unable to attend in person but may not partake via telephone.
- 9.8. Should the Presiding Member be required to leave the meeting due to e.g. conflict of interest, the member nominated to chair the meeting during their absence may preside over the meeting electronically.

## **10. PROCEDURES AT MEETINGS**

- 10.1. Procedures at meetings will be in accordance with the Act and the Local Government (Procedures at Meetings) Regulations 2013

## **11. DELEGATION**

- 11.1. The Committee has no direct decision-making power and will provide recommendations to the Council on matters for consideration.

## **12. REPORTING RESPONSIBILITIES**

- 12.1. Minutes of the Audit and Risk Committee will be published on Councils website and provided electronically to all Committee Members within five (5) days of a meeting.
- 12.2. The Audit and Risk Committee must
  - a) provide a report to the council after each meeting summarising the work of the committee during the period preceding the meeting and the outcomes of the meeting; and
  - b) provide an annual report to the council on the work of the committee during the period to which the report relates

## **13. ADMINISTRATIVE**

- 13.1. The Chief Executive Officer shall provide sufficient administrative resources to the Committee to enable it to adequately carry out its functions
- 13.2. The Council shall approve a budget allocation sufficient for the proposed activities of the Committee

## **14. DEFINITIONS**

For the purposes of these Terms of Reference, unless inconsistent with the subjectmatter of context:

“Act”	means Local Government Act 1999
“Committee”	means the Committee of Council established pursuant to clause 2
“Committee Member”	means the persons appointed by the Council to the Committee pursuant to clause 6
“Commencement Date”	means the date on which the Committee is established and becomes operative pursuant to clause 3
“Council”	means the District Council of Robe that established the Committee and to which the Committee reports



“Presiding Member” means the person appointed to that position pursuant to clause 6

“Observers” means those persons attending any meeting of the Committee of Council, who is not a member of the Committee.

14.1. Any words, phrases or terms used in these Terms of Reference that are defined in the Act shall have the same meaning as are given in the Act.

14.2. A reference in these Terms of Reference to a “singular” includes a reference to the “plural” and a reference to a “plural” includes a reference to the “singular”.

14.3. These Terms of Reference shall be interpreted in line with the provisions of the Act.

### Document History

Version 1.0	Draft for Council Consideration	December 2022
Version 1.0	Adopted by Council at December 2022 Council Meeting (Res 115/2023)	14 December 2022
Version 2.0	Significant updates including (but not limited to), clarification of ex officio, Membership; external auditor requirements; meetings (procedures etc.); voting and reporting responsibilities.	14 June 2023
Version 3.0	Updates to the Membership of the Committee	8 November 2023
Version 3.1	Amendment to number of Members and additional wording to further define the Mayor’s position as ex-officio	23 January 2024
Version 4.0	<ul style="list-style-type: none"> <li>• Remove the clause stating independent members are not required to complete a Register of Interests.</li> <li>• Remove the Mayor as an Ex-Officio Member</li> <li>• Remove the provision stating that the Presiding Member must be a Member of Council</li> <li>• Remove unnecessary wording in the Establishment section.</li> <li>• Amend name of Committee to remove the word ‘Management’</li> </ul> <p>Approved by resolution (238/2024)</p>	14 February 2024